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## Openness of The Regional Economy and Its Dependence on Interregional and Foreign Trade: Case of The Republic of Tatarstan

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### Abstract

The article analyzes the exchange of goods by the Republic of Tatarstan with all other regions of the Russian Federation and foreign countries for the period from 2005 year to 2010 year. The degree of openness and dependence of the Republic of Tatarstan's economy is calculated on the basis of its interregional trade and foreign economic cooperation. The changes in the Republic of Tatarstan's interregional and foreign exchange of goods due to the financial and economic crisis of 2008 year are discovered.

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### 1. Introduction

The economic development of the Russian Federation as a whole and its regions largely depends on the quality of trade relationships, both foreign and interregional, intensity and distribution of commodity trade flows. Significant differences of the Russian regions in many socioeconomic parameters define a special place for the analysis of their interaction. Interregional and foreign trade flows are an integral part of this interaction, the object representing a fairly wide range of socioeconomic research. Trade flows affect their production, which is one of the resulting phases (along with production services) of the economy functioning and acting directly on the social, financial and

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other aspects of development of individual regions and the country as a whole. All this defines the study of interregional and foreign trade flows as one of the most important tasks of this paper.

Globalization gives more opportunities for developed and developing nations and regions but at the same time it has enlarged the inequality between them. It is known, for example, that the smaller the country size and scope of economic power, the less it is rich in natural resources, the more it is dependent on world economic relations. Conversely, the more powerful and larger population and territory of the state, with huge domestic market and a significant proportion of global production range of goods and services is relatively less dependent on foreign trade. So due to globalization challenges, issues of economic openness and dependence of national and regional economies on interregional and international markets of goods became relevant, especially during the global economic and financial crisis.

In these circumstances, it seems appropriate to analyze the interregional and foreign trade flows of the Republic of Tatarstan (RT) with other regions of the Russian Federation (RF) and foreign countries to identify the degree of openness of the Tatarstan's economy and its dependence on interregional and foreign trade, especially during the financial and economic crisis of 2008 year. The rest of the paper is organized as follows. In the next section, literature review on the topic of research is made. In Section 3 we introduce research methodology to analyze the effect of interregional and foreign trade flows on economic openness and dependence of the Tatarstan's economy. Section 4 describes the empirical results of interregional and foreign trade flows impact using statistical data. Section 5 concludes the paper.

## 2. Literature review

A recent literature indicated that interregional trade is growing more rapidly than international and intraregional trade and that a pair of regions within a country are more closely linked than the identical pair of regions across the countries (Hewings, Llano, and Sonis, 2008; Hitomi, Okuyama, and Hewings, 2000). The information from the European Union (EU) appears to confirm that while the intensity of intra-European trade has grown in the recent years, most of the trade still continues to be concentrated within each country (Van der Linden and Oosterhaven, 1995).

At the same time the information concerning interregional trade flows is scarce and incomplete in the majority of countries (Jackson, Schwarm, and Okuyama, 2005). Unfortunately, the absence of information regarding interregional trade limits the possible analysis of the interregional and foreign linkages. Thus, interregional and foreign trade has to be estimated through special techniques that are based on hypotheses regarding the probability of interactions between territories.

The current literature on interregional and international trade, spatial interaction models and transport economics sets out the following different approaches to estimate goods flows in space: gravity models, spatial choice, entropy maximizing paradigm, and neuronal network models (Sen, and Smith, 1995; Roy and Thill, 2004; Nijkamp, Reggiani and Tsang, 2004), studies on interregional input–output modeling (Isard, 1951; Oosterhaven, 1984; Liu, and Vilain, 2004) and multiregional computable general equilibrium models and social accounting matrices Jackson, Schwarm, Okuyama and Samia Islam, 2006; Broucker, and Schneekloth, 2006).

It is obvious that interregional and foreign trade flows are among the main factors of regional development. In the economic literature, there are different points of view concerning the main factors of regional development. Thus, fixed investments of regional's leading companies are considered as the main factor of attractiveness of region (Hewings, Llano, and Sonis, 2008; Hitomi, Okuyama, and Hewings, 2000). Some authors believe that investments in infrastructure are fundamental factors in the development of the region (Jackson, Schwarm, and Okuyama, 2005). The other approach of determining main factors of regional development is called marketing approach, that is based on identifying tools to highlight the region's attractiveness (Sen, and Smith, 1995). Corporate social responsibility is also an important factor for regional development, as the level of regional business activity directly affects the indicators of socio-economic development (Roy and Thill, 2004).

In these circumstances, it seems appropriate to analyze the interregional and foreign trade flows of the Republic of Tatarstan (RT) with other regions of the Russian Federation (RF) and foreign countries to identify the degree of openness of the Tatarstan's economy and its dependence on interregional and foreign trade.

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